

Initial Statement of Reasons OVERVIEW/NON-CONTROLLING SUMMARY

REGULATION 1699, PERMITS

Regulation 1699 explains that a seller's permit is required for each place of business at which a retailer engages in the business of selling tangible personal property.

Specific Purpose

The purpose of the proposed amendments is to interpret, implement, and make specific Revenue and Taxation Code section 6066. These amendments are necessary to provide guidance to that portion of the public which is affected by this statute.

Factual Basis

Regulation 1802 discusses how revenues derived from sales and use taxes levied by the cities under the Bradley-Burns Uniform Local Sales and Use Tax ("Local Tax") Law are allocated either to either where the retailer exercises its privilege of selling (sales tax), or where the purchaser uses, stores, or otherwise consumes the property purchased (use tax). The Board has concluded that Regulation 1802 should be amended to clarify that local sales tax revenue derived from sales where the sales negotiations are carried on out of state but the orders are fulfilled from a stock of goods belonging to the retailer and located in this state should be distributed to the location of the stock of goods whether or not the retailer has sales offices located in this state.

For local sales tax to be distributed directly to a retailer's business location, a seller's permit (or sub-permit in the case of multiple selling locations) must be issued to that location. The Board has also concluded that Regulation 1699 does not provide for issuing seller's permits to business locations where the retailer merely stores tangible personal property and which customers do not customarily visit for the purpose of making purchases. The Board proposes to amend subdivision (a) to implement the changes made to Regulation 1802.

Subdivision (a)- new second un-numbered paragraph added to provide that permits are required for locations at which merchandise is stored and which customers do not customarily visit for the purpose of making purchases when the retailer negotiates sales out of state but fulfills such sales from stocks of goods located in this state.

Pursuant to Government Code section 11346.5(a)(8), the Board of Equalization finds that the adoption of the proposed amendments will not have a significant adverse economic impact on private businesses or persons. The amendments are proposed to interpret, implement, and make specific the authorizing statutes in the context covered by the regulation for greater ease of understanding and to conform the regulation to recent legislation. These changes will clarify the interpretation or administration of the sales and use tax laws. Therefore, the Board has determined that these changes will not have a significant adverse economic impact on private businesses or persons.